

PUBLIC DISCLOSURE

April 29, 2002

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Harris Trust and Savings Bank
RSSD: 75633

111 W. Monroe Street
Chicago, IL

Federal Reserve Bank of Chicago

230 South LaSalle Street
Chicago, IL 60604-1413

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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INSTITUTION'S RATING

INSTITUTION'S COMMUNITY REINVESTMENT ACT (CRA) RATING: Harris Trust and Savings Bank is rated "Outstanding."

Table 1 indicates the performance level of Harris Trust and Savings Bank with respect to the lending, investment, and service tests.

Table 1	Harris Trust and Savings Bank		
	Performance Tests		
Performance Levels	Lending Test*	Investment Test	Service Test
Outstanding		x	x
High Satisfactory	x		
Low Satisfactory			
Needs to Improve			
Substantial Noncompliance			

*The lending test is weighted more heavily than the investment and service tests in determining the overall rating.

Summary of CRA Rating for Harris Trust and Savings Bank:

Lending Test

The bank's high satisfactory rating in the lending test is largely based on its excellent level of community development lending. The bank's level of Home Mortgage Disclosure Act (HMDA) and CRA small business lending is adequate; the one exception is its very high level of lending to businesses with gross annual revenues of \$1 million and less, which significantly exceeds market aggregate. The geographic distribution of HMDA-related and small business loans reflects adequate responsiveness to the credit needs within the assessment area, and loan penetration among borrowers of different income levels is good.

Investment Test

The bank exhibits excellent responsiveness to the community development needs within the assessment area; this is reflected in the very high level of qualified community development investments and grants, as well as the significant amount of donations to organizations that benefit low- and moderate-income areas and individuals.

Service Test

The bank is a leader in providing community development services. Delivery systems are readily accessible to essentially the entire assessment area and services do not vary in a way that would inconvenience any segment of the assessment area, including low- and moderate-income areas and/or individuals. Since the previous examination (March 1, 2000) the bank's record of opening and closing branches has not adversely affected the accessibility of its delivery system.

HARRIS TRUST AND SAVINGS BANK

DESCRIPTION OF INSTITUTION

Harris Trust and Savings Bank, with total assets of \$19.6 billion as of December 31, 2001, is the largest bank under the Bank of Montreal holding company with total assets of \$29 billion as of December 31, 2001. The bank's main office is located in downtown Chicago, with 41 full-service branches in Cook County, 11 full-service branches in DuPage County, 2 in Lake County and 1 in Will County. A full-range of real estate, commercial and consumer credit products and services, as well as trust services, and deposit products and services are available at the main office and at each full-service branch.

In the bank's assessment area are numerous financial institutions including banks, savings and loan associations, mortgage companies and credit unions. Local competitors include Bank One (\$157,768,000,000), LaSalle Bank (\$56,115,195,000), The Northern Trust Company (\$31,176,026,000), and Citibank (\$33,273,283,000). As of December 31, 2001, Federal Deposit Insurance Corporation (FDIC) insured institutions located in Cook County and DuPage County comprise over \$162 billion in total deposits; of which Harris Trust and Savings Bank (HTSB) has a 5.59% (\$9,073,455,000) market share.

According to the December 31, 2001 Uniform Bank Performance Report (UBPR), the bank's loan portfolio compared to peer is shown in Table 2.

Loan Type	Bank Loan Mix	Peer Loan Mix
Real Estate Loans	29.36	45.61
Construction & Development	1.30	4.75
1-4 Family Residential	17.68	25.68
Home Equity	1.22	4.33
Other Real Estate Loans	10.39	13.06
Farmland	0.54	0.26
Multi Family	1.17	1.29
Non-Farm, Non-Residential	8.67	11.08
Loans to Individuals	10.21	10.07
Credit Card Loans	0.07	0.96
Commercial & Industrial Loans	43.90	24.49
Agricultural Loans	1.44	0.38
Municipal Loans	0.00	0.38
Other Loans*	12.54	2.65

* Excludes Financial Institution Loans, Acceptances of Other Banks, Foreign Office Loans and Leases, and Lease Financing Receivables

As the preceding chart indicates, the bank is below peer in total real estate loans at 29.36% of portfolio compared to 45.61% for its peer group. Harris Trust and Savings Bank has a larger commercial and industrial loan mix than peer, at 43.90% compared to 24.49% for peer. All other product percentages are consistent with peer.

Overall, there are no factors relative the bank's financial condition, size, or local economic conditions that prevent it from meeting the various credit needs in its assessment area.

HARRIS TRUST AND SAVINGS BANK ASSESSMENT AREA

Although the bank has two assessment areas, for the purposes of this evaluation they have been combined into one overall assessment area. The areas have been combined because the bank's second assessment area consists of only two upper-income census tracts located in a very affluent portion of Lake County, Illinois. Combining these two census tracts into the bank's larger assessment area – all census tracts in Cook and DuPage Counties, four adjacent census tracts in Will County and two adjacent census tracts in Lake County – will eliminate the need for separate discussion of bank performance in the second assessment area, thereby greatly enhancing the readability of this report. Hereafter, the report will refer to one "assessment area" rather than two "assessment areas."

The only change in the bank's assessment area since the previous examination (March 1, 2000) was the deletion of Elgin Township. However, in response to this change, two Harris Bank affiliates (Harris Bank Bartlett and Harris Bank Roselle) have added Elgin township to their assessment areas.

SCOPE OF EXAMINATION

The scope of the examination included a review of all lending, investment and service activities using the full CRA examination procedures. The bank's loan portfolio, CRA-reportable small business, and HMDA-related loans originated between January 1, 2000 and December 31, 2001 was analyzed to determine the bank's lending performance. For purposes of the CRA evaluations, small business loans are those commercial loans with an original loan balance of \$1 million or less. The criteria used to evaluate the bank's CRA performance under the Lending Test included the percentage of loans made within the assessment area; the distribution of loans within geographies of different income levels; the distribution of loans to individuals of different income levels; the distribution of business loans by loan sizes and to businesses of different revenue sizes; and the level of qualified community development loans. Where possible, the bank's lending performance was compared to the market aggregate. HMDA and small business market aggregate data was available for 2000. Community development lending, investments and activities/products evaluated under the Service Test included those originated between April 1, 2000 and March 31, 2002. Data from the 1990 U. S. Census was used in this report. Unless specifically noted, all information presented here is consistent throughout the evaluation.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

The bank is rated “high satisfactory” under the lending test due to the bank’s excellent level of community development lending. The bank’s HMDA and CRA small business lending with respect to geographic distribution is “adequate,” and is “good” regarding borrower income distribution. One notable exception is the bank’s high level of lending to businesses with annual gross revenues of \$1 million or less, which significantly exceeds market aggregate. The number of community development loans increased significantly from the previous examination. The bank’s leadership in this area is evidenced by the extremely wide range of nonprofits and different communities supported by its community development program.

Mortgage Allocation and Effect on Bank’s HMDA Data

Since 1997, the bank processes mortgage applications and originates the loans for all its affiliated banks. These mortgages are then allocated to the appropriate affiliate bank for CRA evaluation purposes. This arrangement substantially impacts analysis of the bank’s HMDA-reportable lending. For purposes of this evaluation, only those HMDA loans retained by the bank and not allocated to affiliated banks are used in the HMDA analyses.

Lending Activity

The bank has an “adequate” level of lending activity as measured by its HMDA and small business loans.

Assessment Area Concentration

The bank has an “adequate” percentage of lending in the assessment area with 58.7% of its lending within the bank’s assessment area. There is no significant difference between the proportion of HMDA (58.0%) and small business loans (61.1%) made within the assessment area. (See Table 4 on page 9 for additional details.)

Geographic Distribution

HMDA LENDING

The geographic distribution of HMDA-related loans is “adequate.” The bank’s HMDA-lending is generally consistent with market aggregate in 2000; however, there was a 4% difference in loans in moderate-income census tracts, with 14.8% for the bank compared to 18.7% for market aggregate. In addition, the proportion of the bank’s lending to low-

and moderate-income census tracts decreased in 2001. (See Table 5 on page 10 for additional details.)

SMALL BUSINESS LENDING

Please note that the 2000 market aggregate CRA small business data used in this section of the report excludes data for the Lake and Will County portions of the assessment area.

Overall, the proportion of the bank's lending to small businesses in low- and moderate-income census tracts is slightly below market aggregate on 2000; however, bank lending in these census tracts increased in 2001. (See Table 6 on page 10 for additional details.)

Borrower Distribution

HMDA LENDING

The borrower distribution of HMDA-related loans is "good." In 2000, 32.4% of the loans were to low- and moderate-income borrowers compared to 31.9% for market aggregate. In 2001, 30.2% of its loans were to low- and moderate-income borrowers. Thirty-nine percent of the assessment area's families are low- or moderate-income. (See Table 7 on page 11 for additional details.)

SMALL BUSINESS LENDING

Please note that the 2000 market aggregate CRA small business data used in this section of the report excludes data for the Lake and Will County portions of the assessment area.

The distribution by loan amounts is "good." In 2000, 89.1% of the loans were in amounts of \$100,000 or less; 90.2% of market aggregate loans were in this category. In 2001, 88.3% of the loans were in amounts of \$100,000 or less. (See Tables 8 and 9 on page 11 for additional details.)

The distribution to businesses with revenues less than or equal to \$1 million is "excellent."

In 2000, 45.8% of the bank's loans were made to these businesses, compared to 36.4% of market aggregate. In 2001, the bank made 43.6% of its loans to businesses with revenues less than or equal to \$1 million.

Community Development Lending

The bank originated 75 community development loans totaling \$44,434,419. (See Table 10 on page 12 for additional details).

INVESTMENT TEST

The bank is rated “outstanding” in the investment test. The bank has 228 qualified investments totaling \$22,295,968, with \$16,887,888 in disbursements. This consists of 29 community development investments (\$21,096,801 committed/\$15,692,321 disbursed) 151 grants (\$1,166,807 committed/\$1,164,107 disbursed) and 48 cash contributions (\$32,360 committed/\$31,460 disbursed). The outstanding rating is based on its substantive investments in the Neighborhood Housing Services of Chicago (NHS), Illinois Facilities Fund, and other community development loan pools, as well as a very large number of grants and contributions made to a wide variety of organizations and small nonprofit organizations located throughout all portions of the bank’s assessment area.

SERVICE TEST

The bank is rated “outstanding” in the service test. The bank’s service-delivery systems are readily accessible to all geographies and individuals of different income levels. A full-range of real estate, commercial and consumer credit products and services; trust services; and deposit products and services are available at the main office and at each full-service branch office. The bank provides an excellent level of community development services through various programs and initiatives throughout the assessment area.

COMPLIANCE WITH ANTIDISCRIMINATION LAWS

The bank was examined for compliance with fair lending laws and regulations. No violations of the substantive provisions of the anti-discrimination laws and regulations were identified. The bank is in compliance with the substantive provisions of anti-discrimination laws and regulations, including the Equal Credit Opportunity Act and the Fair Housing Act.

METROPOLITAN AREA

DESCRIPTION OF INSTITUTION'S OPERATIONS

Harris Trust and Savings Bank's assessment areas are located in the Chicago Metropolitan Statistical Area (MSA) and encompass approximately 80% of the MSA. As previously discussed, the bank's two assessment areas are combined into one assessment area for purposes of this evaluation (see the complete discussion on p. 3). All subsequent portions of this report will refer to a single combined "assessment area." The bank's main office, branches and drive-up facilities are located within the assessment area. The assessment area consists of 1,453 census tracts, which includes all of Cook and DuPage Counties, 4 Census tracts in Lake County (2 are not contiguous) and 4 in Will County. Low- and moderate-income geographies surrounding the assessment area were not arbitrarily excluded by the bank.

Based on 1990 census data, 317 of the census tracts are classified as upper-income areas, 522 are middle-income, 342 are moderate-income and 272 are low-income. The U.S. Department of Housing and Urban Development (HUD) adjusted median family income in the Chicago MSA has increased from \$67,900 in 2000 to \$70,500 in 2001. The total population of the assessment area is 5,935,043 or 1,479,913 families; 37.5% of these families are classified as upper-income, 23.4% as middle-income, 17.6% as moderate-income and 21.6% as low-income. Of the low- and moderate-income families, 9.7% have incomes below the poverty level for the MSA.

The median housing value in the assessment area is \$134,741 with a median age of 35 years. By comparison, the median housing value for the Chicago MSA is \$108,960 with a median age of 45 years. Approximately 36% of all housing units in Chicago were built prior to 1950. There are 2,332,043 housing units in the assessment area, of which 1,264,530 or 54.2% are owner-occupied. The overall vacancy rate for owner-occupied and rental units is 6.7%. Median monthly rent for the assessment area is \$496, compared to \$492 for the MSA. Table 3 details the assessment area demographics.

Table 3 Assessment Area Demographics Chicago MSA									
Income Categories	Tract Distribution		Families by Tract Income		Families Below Poverty Level as % of Families by Tract		Families by Family Income		
	#	%	#	%	#	%	#	%	
Low-income	272	18.4	149,842	10.1	64,310	44.7	319,007	21.6	
Moderate-income	342	23.2	294,883	19.9	48,557	33.7	260,750	17.6	
Middle-income	522	35.4	616,729	41.7	24,675	17.1	345,729	23.4	
Upper-income	317	21.5	418,459	28.3	6,452	4.5	554,427	37.5	
N/A	23	1.6	0	0.0	0	0.0	0		
TOTALS	1,476	100.0	1,479,913	100.0	143,994	100.0	1,479,913	100.0	
	Housing Units by Tract	Housing Types by Tract							
		Owner-occupied		Rental		Vacant			
		#	%	#	%	#	%	#	%
Low-income	263,139	45,090	17.1	175,633	66.7	42,416	16.1		
Moderate-income	488,712	180,548	36.9	266,794	54.6	41,370	8.5		
Middle-income	941,555	591,164	62.8	310,380	33.0	40,011	4.2		
Upper-income	638,591	447,723	70.1	158,437	24.8	32,431	5.1		
N/A	46	5	10.9	41	89.1	0	0.0		
TOTALS	2,332,043	1,264,530	54.2	911,285	39.1	156,228	6.7		
	Total Businesses by Tract		Businesses by Tract & Revenue Size						
	#	%	Under \$1 million		Over \$1 million				
			#	%	#	%	#	%	
Low-income	11,126	5.1	9,274	5.1	1,276	4.9			
Moderate-income	27,653	12.7	22,936	12.7	3,254	12.4			
Middle-income	84,477	38.8	69,783	38.6	10,421	39.7			
Upper-income	91,040	41.8	75,939	42.0	10,595	40.4			
Tract not reported	3,708	1.7	2,885	1.6	691	2.6			
TOTALS	218,004	100.0	180,817	100.0	26,237	100.0			
	Percentage of Total Businesses:				82.9	-	12.0		

Eleven community representatives, including six business associations, three low-income housing representatives, and two community groups were contacted in connection with this examination. The sentiment of the eleven individuals varied greatly on the local economy, but in general, the outlook seemed to be that the economy of the City of Chicago is stable to slowly declining. In regards to bank involvement, the community representatives felt financial institutions were doing an average to above average job of servicing the needs of the local population.

In reference to Harris Trust and Savings Bank (HTSB), the representatives believed it is very active in the Chicago area. Almost all individuals who were contacted stated that their experiences with the bank were positive. They stated that HTSB is doing a very good job of creating affordable housing loans, generating opportunities for first-time home purchases, and assisting organizations in creating affordable housing. Most of the representatives were of the opinion that the bank is committed to developing the local neighborhoods in which they operate. The consensus was that Harris is a leader in Chicago and does an admirable job interacting with the local community.

LENDING TEST

The bank's loan portfolio, lending volume within the assessment area, geographic distribution of loans, distribution of lending by borrower characteristics, community development lending, and use of innovative and flexible lending practices were reviewed.

As stated previously, the bank processes mortgage applications and originates the loans for all its affiliated banks. These mortgages are then allocated to the appropriate affiliate bank for CRA evaluation purposes. This arrangement substantially impacts analysis of the bank's HMDA-reportable lending. For purposes of this evaluation, only those HMDA loans retained by the bank and not allocated to affiliated banks are used in the HMDA analyses.

The bank is rated "high satisfactory" under the lending test due to the bank's excellent level of community development lending. The bank's HMDA and CRA small business lending with respect to geographic distribution is "adequate," and is "good" regarding borrower income distribution. One notable exception is the bank's high level of lending to businesses with annual gross revenues of \$1 million or less, which significantly exceeds market aggregate. The number of community development loans increased significantly from the previous examination. The bank's leadership in this area is evidenced by the extremely wide range of nonprofits and different communities supported by its community development program.

Assessment Area Concentration:

The bank has an "adequate" percentage of lending in the assessment area with 58.7% of its lending within the assessment area. There is no significant difference between the proportion of HMDA and small business loans made within the assessment area as illustrated in Table 4.

Loan Category	Number of Loans					Dollar Amount (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%	#	\$	%	\$	%	\$
<u>HMDA</u>										
2000	1,570	58.4	1,120	41.6	2,690	247,247	54.7	205,040	45.3	452,287
2001	2,924	57.8	2,139	42.2	5,063	545,320	72.4	208,015	27.6	753,335
Subtotal	4,494	58.0	3,259	42.0	7,753	792,567	65.7	413,055	34.3	1,205,622
<u>Small Business</u>										
2000	753	56.8	574	43.2	1,327	45,866	50.5	44,992	49.5	90,858
2001	708	66.6	355	33.4	1,063	44,192	59.1	30,641	40.9	74,833
Subtotal	1,461	61.1	929	38.9	2,390	90,058	54.4	75,633	45.6	165,691
Total	5,955	58.7	4,188	41.3	10,143	882,625	64.4	488,688	35.6	1,371,313

Geographic Distribution:

HMDA LENDING

The geographic distribution of HMDA-related loans is “adequate.” As shown in Table 5, the bank’s HMDA lending is generally consistent with market aggregate in 2000; however, the proportion of the bank’s lending to low- and moderate-income census tracts decreased in 2001.

Table 5 Census Tract Income Level	Census Tract Profile	2000		2001		2000 Market Aggregate*	
		#	%	#	%	#	%
Low	18.4	119	7.6	147	5.0	2,266	7.2
Moderate	23.2	233	14.8	371	12.7	5,884	18.7
Middle	35.4	623	39.7	1,118	38.2	12,816	40.9
Upper	21.5	586	37.3	1,275	43.6	10,343	33.0
NA	1.6	9	0.6	13	0.4	46	0.2
Total	100.0	1,570	100.0	2,924	100.0	31,355	100.0

*Market aggregate excludes lender

SMALL BUSINESS LENDING

Please note that the 2000 market aggregate CRA small business data used in this section of the report excludes data for the Lake and Will County portions of the assessment area.

As shown in Table 6, the proportion of the bank’s lending to small businesses in low- and moderate-income census tracts was slightly below market aggregate on 2000; however, bank lending in these census tracts increased in 2001.

Table 6 Distribution of Small Business Loans by Census Tract Income Inside AA							
Census Tract Income Level	Number of Small Businesses		2000 Market Aggregate Data (% of #)	2000		2001	
	#	%		#	%	#	%
N/A	3,719	1.7	2.9	21	2.8	21	3.0
Low	11,161	5.1	4.0	36	4.8	31	4.4
Moderate	27,828	12.6	12.5	59	7.8	76	10.7
Middle	85,535	38.8	40.4	229	30.4	191	27.0
Upper	92,215	41.8	40.2	408	54.2	389	54.9
Total		100.0	100.0	753	100.0	708	100.0

*Market aggregate excludes lender

Borrower Distribution:

HMDA LENDING

The borrower distribution of HMDA-related loans is “good.” In 2000, 32.4% of the loans were to low- and moderate-income borrowers compared to 31.9% for market aggregate. In 2001, 30.2% of the bank’s loans were to low- and moderate-income borrowers. Thirty-

nine percent of the assessment area’s families are low- or moderate-income. Data supporting this analysis is shown in Table 7.

Table 7 Borrower Income Level	Total Families (% of #)	2000		2001		2000 Market Aggregate*	
		#	%	#	%	#	%
Low	21.6	146	9.3	257	8.8	3,109	9.9
Moderate	17.6	362	23.1	626	21.4	6,911	22.0
Middle	23.4	456	29.1	723	24.7	6,755	21.5
Upper	37.5	568	36.2	1,275	43.6	9,147	29.1
NA	0.0	37	2.4	43	1.5	5,436	17.3
Total		1,570	100.0	2,924	100.0	31,358	100.0

*Market aggregate excludes lender

SMALL BUSINESS LENDING

Please note that the 2000 market aggregate CRA small business data used in this section of the report excludes data for the Lake and Will County portions of the assessment area.

The distribution by loan amounts is “good.” In 2000, 89.1% of the loans were in amounts of \$100,000 or less; 90.2% of market aggregate loans were in this category. In 2001, 88.3% of the loans were in amounts of \$100,000 or less. Data supporting this analysis is shown in Tables 8 and 9.

Table 8 2000 Small Business Originations By # and %	Loan Amount			
	Less than \$100,000	\$100,000 - \$250,000	\$250,000 - \$1,000,000	Total
# of loans	671	49	33	753
% of total small business originations	89.1%	6.5%	4.4%	100.0%
Market Aggregate*	90.2%	4.7%	5.1%	100.0%
<hr/>				
\$ of loans	20,551	7,664	17,651	45,866
% of total small business originations	44.8%	16.7%	38.5%	100.0%

* Market aggregate excludes lender

Table 9 2001 Small Business Originations By # and %	Loan Amount			
	Less than \$100,000	\$100,000 - \$250,000	\$250,000 - \$1,000,000	Total
# of loans	625	40	43	708
% of total small business originations	88.3%	5.7%	6.0%	100.0%
<hr/>				
\$ of loans	15,667	6,698	21,827	44,192
% of total small business originations	35.5%	15.2%	49.3%	100.0%

The distribution to businesses with revenues less than or equal to \$1 million is “excellent.”

In 2000, 45.8% of the bank’s loans went to these businesses compared to 36.4% for market aggregate. In 2001, the bank made 43.6% of its loans to businesses with revenues less than or equal to \$1 million.

Analysis of Community Development Lending:

The bank made a total of 75 community development loans for \$44,434,419. These loans are a combination of 60 direct loans by the bank, and 15 loans that are either shared with or allocated by one or more bank affiliates.

The bank originated 60 community development loans totaling \$37,019,319. These loans show an excellent level of lending to a wide variety of for-profit and nonprofit borrowers and support projects that benefit low- and moderate-income individuals and geographies throughout the bank’s assessment area. Table 10 details the bank’s direct community development loans.

Table 10 Harris Trust & Savings Bank Direct Community Development Loans			
Borrower(s)	Loan Amounts	Income Level of Census Tract	Description of the Loan
Faith-based Organization (1 loan)	\$448,000	Low	To finance construction, rehab, and/or improvement of affordable housing in low-income area.
Independent Real Estate Developers (4 loans)	\$2,759,150	Low	To finance construction, rehab, and/or improvement of affordable housing in low-income areas.
Independent Real Estate Developer (1 loan)	\$578,000	Low	To finance construction, rehab, and/or improvement of affordable housing in low-income area, and involving low-income tax credit.
Individual Real Estate Developers (14 loans)	\$4,771,369	Low	To finance construction, rehab, and/or improvement of affordable housing in low-income areas.
Nonprofit Organizations (5 loans)	\$4,618,000	Low	To finance construction, rehab, and/or improvement of affordable housing in low-income areas.
Nonprofit Organization (1 loan)	\$5,000	Low	To provide financing for a Community Development Corporation that provides affordable housing in low-income areas.
Nonprofit Organizations (2 loans)	\$275,000	Low	To finance an organization that provides job training or day care services in low-income areas.
Local Government (1 loan)	\$4,900,000	Low	To finance a bond for a community development project in a low-income area.
Independent Real Estate Developers (5 loans)	\$1,740,500	Moderate	To finance construction, rehab, and/or improvement of affordable housing in moderate-income area.
Individual Real Estate Developers (11 loans)	\$6,225,350	Moderate	To finance construction, rehab, and/or improvement of affordable housing in moderate-income areas.
Faith-based Organization (1 loan)	\$150,000	Moderate	To refinance and rehab of a church facility and offices which are used for several

Table 10 Harris Trust & Savings Bank Direct Community Development Loans			
Borrower(s)	Loan Amounts	Income Level of Census Tract	Description of the Loan
			community services in a moderate-income area.
Nonprofit Organization (1 loan)	\$511,700	Moderate	To finance an organization that provides educational, health, social services, job training and/or day care services in moderate-income areas.
Independent Real Estate Developer (1 loan)	\$1,900,000	Moderate	To finance the construction of a retail facility in a moderate-income area.
Independent Real Estate Developer (1 loan)	\$670,000	Middle	To finance construction, rehab, and/or improvement of affordable housing for low- and moderate-income families and/or individuals.
Individual Real Estate Developers (5 loans)	\$1,145,750	Middle	To finance construction, rehab, and/or improvement of affordable housing for low- and moderate-income families and/or individuals.
Nonprofit Organizations (2 loans)	\$1,281,500	Middle	To finance construction, rehab, and/or improvement of affordable housing for low- and moderate-income families and/or individuals.
Chicago Equity Fund 2001 (1 loan)	\$3,000,000	Upper	To finance construction, rehab, and/or improvement of affordable housing for low- and moderate-income families and/or individuals that also involves low-income housing credits.
Nonprofit Organizations (2 loans)	\$1,940,000	Upper	To finance construction, rehab, and/or improvement of affordable housing for low- and moderate-income families and/or individuals.
Privated Mortgage Company	\$100,000	Various Low and Moderate	Supports CHA replacement housing projects in various neighborhoods
Totals (60 loans)	\$37,019,319		

In addition, 15 community development loans (\$7,415,100) were either shared credits with other bank affiliates or allocated to the bank by affiliates. All supported affordable housing projects.

Innovative and/or Flexible Lending Practices:

Various innovative or flexible lending practices were used to target low- and moderate-income individuals. In addition, the bank provides mortgages to low- and moderate-income borrowers through its participation in certain government-assisted and third party loan programs that target these groups. These programs typically offer attractive features such as low down payment requirements, below market interest rates, waived loan fees, and/or government guarantees. These loan programs, which are summarized below, reflect the bank's use of innovative and/or flexible lending practices.

In addition to the bank's standard lending programs, the following special loan programs that benefit low- and moderate-income geographies and individuals and are considered to be innovative and flexible:

- **Gold 100 Mortgage Program:** This program was developed in response to needs identified by the Northwest Neighborhood Federation (a nonprofit organization of affiliated neighborhood groups located in the northwest section of Chicago). It is a refinancing-only product that allows flexible loan-to-value ratios and repayment patterns, in order to provide greater flexibility in lending to low- and moderate-income applicants. The borrowers are required to attend counseling, provided by NHS or the Chicago Credit Counseling Service (CCCS).
- **Federal Home Loan Downpayment Plus Program:** This program, operated in conjunction with Harris Bank Frankfort's FHLB (Federal Home Loan Bank) membership, gives the bank access to the program's closing cost and down payment subsidy for first time low- and moderate-income home buyers. The direct subsidy is \$3,000; the bank has funded subsidies for 14 low- and moderate- income borrowers (some of these have been allocated to affiliate banks). As of the close of this examination, an additional 3 subsidies were approved and waiting for closing.
- **Alternate FHA Loan:** This program is designed as a faster, simpler, and less expensive alternative to an FHA loan. The product has the same 3% equity downpayment requirement as FHA, but has lower fees and credit score requirements. Also, borrowers are required to attend counseling provided by NHS, CCCS, or the Spanish Coalition for Housing. The bank closed 4 of these loans in 2001.

INVESTMENT TEST

The bank's record of performance under the investment test is rated "outstanding". The bank's level of investments is extremely substantial, in terms of the number of investments, at 228, in dollars committed, at \$22,295,968, and in dollars disbursed, at \$16,877,888. The bank's investments, grants and donations support an extremely large number and wide range of both large and small community-based organizations that provide needed housing and other services at both the neighborhood and regional level. In addition, the bank has identified and funded nonprofit organizations that provide affordable housing and other needed services to low- and moderate-income persons located in both lower income and affluent suburban communities throughout the assessment area. Finally, the bank has continued its very high level of financial support to the area's most successful and effective nonprofit organizations, as well as providing seed funding and other financial support to newer community-based organizations that target some of the most severely economically distressed communities within the assessment area.

The bank's investment activities demonstrate an excellent degree of responsiveness to local needs; it is always among the first of local institutions to provide financial support

and technical assistance (see discussion under the Service Test portion of this evaluation) to local government offices and nonprofits engaged in developing new programs to address emerging and special local issues.

Dollar Amount of Qualified Investments:

The bank's 228 investment commitments total \$22,295,968, and its disbursements total \$16,887,888. These investments were made in seven categories:

1. new, local community development investments;
2. disbursements under existing investments;
3. disbursements under existing loan pools;
4. new community development bonds;
5. new mortgage-backed securities purchases;
6. new community development grants; and
7. new community development contributions.

New, local community development investments: Table 11 lists the bank's six new investment commitments for \$3 million, of which \$1,028,220 has been disbursed. All of these investments support local nonprofits and programs; the activities of one of these investments – a Small Business Investment Corporation (SBIC) – also supports emerging small businesses in Illinois outside of the bank's assessment area, as well as in Michigan and Indiana, in addition to those in the bank's assessment area.

Table 11 New Local Community Development Investments		
Name	Dollars Committed	Dollars Disbursed
Small Business Lending	\$500,000	\$500,000
Self-Help Loan Fund	\$150,000	\$150,000
Small Business Lending	\$100,000	\$100,000
Limited Partnership	\$1,000,000	\$255,214
Limited Partnership	\$500,000	\$23,006
Family Housing Fund	\$750,000	\$0
6 new local investments	\$3,000,000	\$1,028,220

Disbursements under existing investments: Table 12 lists disbursements under nine pre-existing investments dated between 1993 to 2000. These existing commitments total \$4.5million; the disbursements during this evaluation period total \$1,092,300 as of the start date of this examination. Seven of the nine investments are in Chicago Equity Fund investment pools; the Chicago Equity Fund is a nonprofit organization that pools investment dollars from institutions, businesses and individuals for making equity investment in affordable multifamily rental projects that utilize the U.S. Treasury Department's Low Income Housing Tax Credit program. The remaining two investments were made in a related fund that supports tax credit projects by financing improvements to other nearby housing, retail and commercial projects.

Table 12 Disbursements Under Existing Investments		
Name	Dollars Committed	Dollars Disbursed
Tax Credit Assistance	\$250,000	\$15,251
Tax Credit Assistance	\$250,000	\$111,942
Tax Credit Assistance	\$500,000	\$138,140
Tax Credit Assistance	\$500,000	\$135,500
Tax Credit Assistance	\$500,000	\$130,043
Tax Credit Assistance	\$1,000,000	\$286,074
Tax Credit Assistance	\$500,000	\$61,342
LTD Partnership	\$500,000	\$162,217
LTD Partnership	\$500,000	\$51,791
Total existing local investments on which disbursements were made	\$4,500,000	\$1,092,300

Disbursements under existing loan pools: Table 13 lists disbursements under the bank’s two pre-existing loan pool commitment; one targets small businesses located in an older inner-ring western suburb, the other targets very small businesses located in the northern portion of the assessment area (in Lake County). Of the total \$550,000 commitment, the bank has disbursed \$525,000.

Table 13 Disbursements Under Existing Loan Pools		
Harris Trust & Savings Bank		
Community Development Investment Activity		
Name	Dollars Committed	Dollars Disbursed
Community Development	\$500,000	\$500,000
Micro-Loan Fund	\$50,000	\$ 25,000
Total	\$550,000	\$525,000

New community development bonds: Table 14 below lists the bank’s six new bond investments, totaling \$7,025,550. All of the bonds are housing-related, with affordable rents supported by various federal and local rent subsidy and tax credit programs.

Table 14 New Community Development Bonds	
NAME	Dollars Invested
Housing, Carol Stream	\$350,000
Health Facility, Bloomingdale	\$1,000,000
Housing, Chicago	\$2,500,000
Housing, Palatine	\$1,000,000
Housing, Chicago	\$1,969,800
Housing, Chicago	\$205,750
TOTAL 6 NEW BOND PURCHASES	\$7,025,550

New mortgage-backed securities purchases: The bank purchased six mortgage-backed securities (MBS) packages during this evaluation period totaling \$6,021,251. All mortgages in these MBS packages were made either to low- or moderate-income borrowers or for properties located in low- or moderate-income census tracts.

New community development grants: The bank made 151 grants totaling \$1,166,807 in commitments and \$1,164,107 in disbursements. Approximately 10% of the funded nonprofit organizations received multiple grants, demonstrating the bank’s high level of support for these programs. The nonprofits receiving these grants are well distributed throughout the bank’s assessment area, and funded activities range from support of affordable housing and small business lending to financial literacy, basic shelter services and educational activities. Grant amounts ranged from \$115,500 to \$250, the most significant of which are listed in Table 15.

Table 15 Harris Trust and Savings Bank Community Development Grant Activity		
Organization	Amount	Purpose of the Grant
Housing-related Counseling	\$116,500	Operating support for a Community Development financial Institution which provides a wide range of housing counseling (pre and post-purchase, foreclosure prevention and predatory lending advocacy) aimed at L/M communities within Chicago & Operating support for a Community Development financial Institution in the Full Cycle Homeownership Participation program.
Community Organization	\$100,000	This 3 year pledge supports the "Be a Neighborhood Hero" campaign. Harris' money is for a development center, and a child development center and lifelong learning center.
Community Center	\$65,000	Support for the construction and operation of a community services facility within the L/M community of North Lawndale.
Community Organization	\$61,000	Provides economic education programs to elementary through high schools students in the Chicago metro area. The bank also supports these programs with 30 - 40 volunteers.
Community Center	\$45,000	Support for the construction and operation of a community services facility within the L/M community of North Lawndale.
Learning Community	\$45,000	Funding for special project to improve literacy achievement -100% L/M enrollment.
Housing Rehabilitation	\$41,000	Funds for support of the neighborhood revitalization project.
Housing Rehabilitation	\$40,000	General operating support for non-Profit coalition of non-profit affordable housing developers.
Arts Center	\$25,000	Funding for support of Youth Initiatives Programs for "at-risk" youth. Over 95% of the students in the high schools in these areas are low-income. Also, last year of multi-year capital campaign.
Development Corporation	\$24,000	Operating support for a non-profit organization that provides technical assistance for small businesses and operates a revolving loan fund.
Development Corporation	\$22,000	Operating support for a non-profit affordable housing development corporation.
Nonprofit Financial Center	\$21,000	Operating support for a non-profit community services agency providing technical assistance and a revolving loan fund to other non-profits social service agencies serving L/M individuals.
Housing Center	\$21,000	This non-profit serves over 50 communities in Chicago's south and southwest suburbs. It provides homeseeker services and education, and test fair lending. Homeseekers Service Program – Housing Counseling Activities.
Development Organizations	\$20,500	General operating support for an institution that provides technical assistance to small businesses and operates a revolving loan fund.
Loan Fund	\$20,000	Operating support for a community development financial institution which operates a loan fund for non-profit social service agencies serving L/M populations.

Table 15 Harris Trust and Savings Bank Community Development Grant Activity		
Organization	Amount	Purpose of the Grant
Support Corporation	\$20,000	Operating support for a Community Development Financial Institution-First and second payment of a 5 year 125,000 pledge to support Chicago office. Plus funds to support an Annual Non-Profit Community Development Award
Economic Development	\$20,000	Operating grant directed toward economic development and education of L/M communities
School	\$20,000	Operating funds for an apprentice program aimed at developing stronger student leaders in Chicago's North Lawndale community.
Community Organization	\$20,000	A community services agency working in North Lawndale which provides job training, education and a housing development program.

New community development contributions:

During the examination period, HTSB committed to make \$32,360 in 48 community development contributions, of which \$31,460 has been disbursed. In addition the bank has provided "in-kind" contributions to organizations such as Neighborhood Housing Services and Chicago Community Loan Fund. Table 16 is a list of significant contributions.

Table 16 Harris Trust and Savings Bank New CD Contributions			
Name	Dollars Committed	Dollars Disbursed	Purpose of the Contribution
Woman's Conference	\$5,000	\$5,000	Donation in support of a Small Business Conference aimed at Women in which Harris discussed small business lending.
Community Services	\$500	\$500	Donation in support of a Non-Profit Community Services agency providing comprehensive social services to the L/M income individuals and families in the South Chicago and Joliet communities.
Women's Organization	\$1,000	\$100	Community Services targeted towards L/M income women and children leaving domestic violence situations. Provides shelter and long term development of these women and their children.
Homeownership Center	\$600	\$600	This non-profit is one of the few affordable housing groups in DuPage County. They offer homebuyer education, default counseling.
Housing Trust	\$3,500	\$3,500	Non-profit provides grants to subsidize the rent for low income individuals living in rehabbed housing units scattered throughout the City of Chicago. A bank officer has been on the Board of this group since its inception.
Housing Expo	\$500	\$500	Housing Fair
Housing Assistance	\$1,500	\$1,500	Supports and promotes opportunities for former homeless individuals. They provide services including education, skill training, employment placement, etc.
Health/Social Organization	\$2,000	\$2,000	Donation in support of a non-profit community services agency providing health and social services to the L/M income individuals and families.

Local Trade Organization	\$755	\$755	Activity focused on stabilizing and revitalizing a business community within moderate-income census tracts.
Local Trade Organization	\$1,515	\$1,515	Activity focused on stabilizing and revitalizing a business community within moderate-income census tracts.
College Fair	\$500	\$500	Sponsored booth to discuss financial services for small businesses. 150-175 attendees at Fair.
Housing Organization	\$3,000	\$3,000	Operating support for a homeownership housing counselor to help identify predatory lending victims.
Community Center	\$1,712	\$1,712	Donation in support of a fundraiser for a non-profit community services agency providing technical assistance and a revolving loan fund to other non-profits social service agencies serving L/M individuals

Innovativeness and Complexity of Qualified Investments:

The bank made a total of 12 investments, totaling \$6,146,750 in commitments and \$4,590,964 in disbursements, in support of innovative and/or complex programs that benefit low- and moderate-income geographies or individuals. In some cases the bank provided total financial sponsorship of the program or project, while in other cases the bank identified smaller scale or less well-known, yet equally innovative programs in Chicago area communities that deliver critical services in especially creative and effective ways to their low- and moderate-income constituencies. The bank demonstrates an extremely high level of ability in searching out small as well as large nonprofits that address community development needs in innovative ways. Table 17 lists a sample of the bank’s innovative and complex investments. (Note that all projects, programs and dollars committed and disbursed are included in the preceding overall and categorical analyses of qualified investments.)

Table 17 Innovative and/or Complex Investments			
Name	Dollars Committed	Dollars Disbursed	Why Innovative/Complex
Investment Company	\$1,000,000	\$255,214	A small business investment company with a primary focus on emerging small businesses in the metropolitan area.
Reinvestment Fund	\$1,000,000	\$214,000	Engages in the development and operations of for sale housing programs, retail and commercial facilities and historic rehabilitation tax credit projects in the Chicago area.
Community Services	\$15,000	\$15,000	Funds supported an education-to-career program by providing job training and apprenticeship experience for high school juniors and seniors from families that are at or below the poverty level.
Community Organization	\$5,000	\$5,000	Non-profit provides an employment service, thrift shop, family counseling clinic, pre-school and after-school center, child therapy clinic and child abuse program to low- and moderate-income families in the area.

Responsiveness of qualified investments to credit and community development needs:

The responsiveness of the bank's investments to credit and community development needs is extremely high. The bank not only seeks out smaller, less well-known nonprofits as potential recipients of grants and contributions, but also links its financial aid to substantial levels of technical assistance and administrative support (see the "Service Test" section of this report). The bank is also extremely sensitive to the needs of low- and moderate-income individuals who live throughout the suburban portions of the assessment area, and has provided funding to nonprofits in those areas as well.

Degree to which qualified investments are not routinely provided by private investors:

The majority of the bank's investments – especially the 151 new community development grants – are not routinely provided by private investors. The bank demonstrates both a strong commitment to identifying those financing opportunities which are most in need of assistance, and its willingness to provide needed funds regardless of the size or sophistication of the recipient nonprofit organization.

The bank's qualified investments benefit the assessment area and a broader regional area that includes the assessment area.

SERVICE TEST

The bank's record of performance under the service test is "outstanding." Harris Trust and Savings Bank is a full-service bank operating fifty-five offices throughout the Chicago metropolitan area, with its main office located in downtown Chicago at 111 West Monroe Street. The bank offers an array of consumer, commercial, and institutional loan, deposit and financial services products typical for similarly-sized institutions in this market. Products and services include, but are not limited to the following:

Deposits

- Checking Accounts
- Money Market Accounts
- Savings Accounts
- Certificate of Deposits
- Individual Retirement Accounts

Loan services

- Home Equity Loans and Lines of Credit
- Auto and Other Vehicle Loans
- Mastercard and Visa Credit Cards
- Various Types of Residential Mortgages (Fixed, Adjustable, Biweekly, Custom, etc.)
- Commercial Loans

Distribution of branches among each geography classification:

The bank has fifty-five branches located throughout its two assessment areas. According to 1990 Census Data, 41.5% of the assessment area’s census tracts are considered low- or moderate-income; nearly ninety nine percent (99%) of these low- and moderate-income census tracts are in Cook County.

Table 18 shows that twenty percent (20%) of the bank’s branches are located in low- or moderate-income census tracts.

County	HTSB Branch Numbers	Percent of Total
Low	6	11%
Moderate	5	9%
Middle	23	42%
Upper	21	38%
Total	55	100%

Table 19 below shows that the bank’s branch offices are reasonably distributed and accessible to the bank’s entire assessment areas. Nearly three-fourths (41 of 55, or 74%) of the branches are located within the city limits of Chicago; however, branches are also distributed throughout the geographic regions and counties that comprise the assessment areas.

County	HTSB Branch Numbers	Percent of Total
Cook County	41	74%
DuPage County	11	20%
Lake County	2	4%
Will County	1	2%
Total	55	100%

Record of opening and closing branches, particularly those located in low- and moderate-income geographies or primarily serving low- and moderate-income individuals:

Since the previous examination, the bank has closed five branches and relocated one. None of the five closed branches were located in low- or moderate-income areas; they were closed due to their proximity to other branches owned by either the bank or one of its affiliates. The relocated branch (previously located at Cityfront Plaza, in Chicago’s downtown “Loop” area) was moved to the adjacent “Gold Coast” business district; no reduction of access by, or service to low- and moderate-income individuals resulted from this branch relocation. A full range of products and services are offered at each location, and since the previous examination, office hours have been revised and vary slightly at certain locations, but are reasonable.

Availability and effectiveness of alternative systems for delivering retail banking services in low- and moderate-income geographies and to low- and moderate-income individuals:

The bank provides the following alternative delivery channels for retail banking services, which allows for additional access to all portions of the bank's assessment areas:

- **ATMs:** The bank owns and operates 100 automated teller machines (ATMs); 95 are full-service and 5 are cash dispensing only (cash dispensing machines are not capable of balance inquiry, funds transfer, or deposit taking). None of the cash dispensing only machines are located in low- or moderate-income census tracts (four are located in O'Hare International Airport and one at 55 E. Jackson Street in the CNA building).

Seventeen of the bank's full-service ATMs are located in low- and moderate-income areas. Of those ATMs, sixteen are part of branch facilities and one is free standing. All ATMs are equipped with both English and Spanish language options (a substantial increase from 42% at the time of the previous examination). In addition to these 100 ATMs, customers also have access to the over 150 additional Harris-affiliated ATMs, the Star Network (formerly Cash Station) ATM network, and other shared networks throughout the Midwest. The bank's customers do not pay any additional ATM surcharge when using the Harris-affiliated network; however, typical fees of between \$1.00 - \$2.50 apply when using the Star Network and other shared networks.

- **Mortgage Originators:** Mortgage originators are available 24 hours per day, 7 days per week through the 1-888-HUBERT1 number. This number is accessible through the Client Contact Center, discussed in greater detail below. The bank has several bilingual originators on staff to assist non-English speaking individuals. Employees with specific language proficiencies can be contacted by pager and then promptly respond to the customer in the required language.
- **Harris Client Contact Center:** Bank customers can contact this center for a variety of inquiries and services, including loans and mortgages. The call center can provide services in 22 different languages including Japanese, Polish, and French, and maintains a permanent staff of 8 permanent bilingual agents, fluent in both Spanish and English. The hours of operation are Monday through Friday, 7:00am to 10:00pm (CST) and Saturday, 8:00am to 5:00pm (CST).
- **Internet and Telephone Banking:** The bank's web site and telephone-banking system provide 24-hour banking access. The bank's web site, www.harrisbank.com and an automated telephone banking service provide access to all customers with online or telephone capabilities. Each alternative offers various resources including the option of bill payment services. Through the:
- **Online banking service,** customers can access their account information, stop payments on checks, transfer funds between accounts, apply for a loan, open an account, and obtain other information. The automated banking by phone option allows customers to check account balances, transfer funds between accounts, and stop payments on checks.

- “Hispanic” Banking: The bank has designated 11 branches for this product delivery system, designed to target the growing Hispanic population in the Chicago metropolitan area. Special services include: bilingual staff; bilingual brochures and other printed materials; availability of “Envios de Dinero”, a secure, low-cost money-wiring service between Chicago and Mexico that is affiliated with 500 wire transfer locations throughout Mexico; and acceptance of Mexican Voter ID cards and Matricula as identification for check-cashing and other services.

The range of services provided in each geography classification and the degree the services are tailored to meet the needs of those geographies:

In addition to the standard array of products and services generally available at similarly-sized retail institutions, the bank offers the following special products and services that benefit low- and moderate income geographies and individuals:

- Gold 100 Mortgage Program: This program was developed in response to needs identified by the Northwest Neighborhood Federation (a nonprofit organization of affiliated neighborhood groups located in the northwest section of Chicago). It is a refinancing-only product that allows flexible loan-to-value ratios and repayment patterns, in order to provide greater flexibility in lending to low- and moderate-income applicants. The borrowers are required to attend counseling, provided by NHS or the Chicago Credit Counseling Service (CCCS).
- Federal Home Loan Down payment Plus Program: This program, operated in conjunction with Harris Bank Frankfort’s FHLB (Federal Home Loan Bank) membership, gives the bank access to the program’s closing cost and down payment subsidy for first time low- and moderate-income home buyers. The direct subsidy is \$3,000; the bank has funded subsidies for 14 low- and moderate- income borrowers, and as of the close of this examination has an additional 3 subsidies approved and waiting for closing.
- Alternate FHA Loan: This program is designed as a faster, simpler, and less expensive alternative to an FHA loan. The product has the same 3% equity downpayment requirement as FHA, but has lower fees and credit score requirements. Also, borrowers are required to attend counseling provided by NHS, CCCS, or the Spanish Coalition for Housing. The bank closed 4 of these loans in 2001.
- Harris Express: This program, being piloted at two branches in low-income and minority neighborhoods in Chicago (north at 4531 N. Broadway, and west at 5454 W. North Ave.) is designed to provide non-customers with secure and affordable check cashing, money orders, and wire transfer services in a “currency exchange-like environment”. The goal of this pilot project is to attract potential noncustomers who feel comfortable in a currency exchange environment but may be wary of banks.

- Free Checking: The bank has offered low cost, basic checking for many years and in June 2001 introduced free checking accounts. This account has no minimum monthly fee or charge for written checks. Data on account holder income is unavailable.
- Senior Checking: As required by state banking regulations, the bank offers a low-cost checking account for customers aged 60 and older. Interest is earned on balances of \$1,500 or more.
- Illinois Electronic Benefits Transfer (EBT) Program: The bank has participated in Illinois' EBT program since the pilot program in 1997; the bank maintains its affiliation with the program. Illinois' EBT program, called LINK, provides public aid recipients with electronic access to their monthly cash benefit allotment as well as to their food stamp allocation. This program reduces theft and fraud, and enables recipients to avoid costly check cashing fees as well. Volume information on EBT transactions is not available.
- IOLTA (Lawyers' Trust Accounts): IOLTA accounts are interest bearing accounts used by attorneys to escrow clients' funds; participating banks offer the accounts at no fee to participating attorneys, and interest earned on the funds is donated to the Lawyers Trust Fund of Illinois, which provides pro bono legal services to persons in financial need. In 2000 and 2001, the bank contributed \$15,549 to this fund.

The extent of community development services provided:

The bank's level of provision of community development services is "excellent". These activities fall into two categories – leadership and financial education. The bank provides a very high level of financial education services throughout the assessment area, and an extremely high level of leadership with special emphasis on technical assistance. The bank has repeatedly assumed a leadership role in providing technical assistance on the design, administration and financial structuring of complex and innovative new programs to major nonprofits and units of local and statewide government. The bank and senior bank management have been honored with a number of awards by local nonprofits in recognition of these services. The bank has been instrumental in the creation of innovative and complex programs in which other institutions participate. Based on these findings, the bank's record of performance under the service test is rated outstanding.

Individual leadership efforts: Individual leadership efforts consist of the activities of bank staff and management who, as official representatives of the bank, provide leadership and technical assistance to a wide variety of nonprofit and local government organizations throughout the assessment area. Bank staff and management participated in 132 leadership activities; See Table 20 for significant examples. These activities include the bank's Chief Executive Officer serving as a director of to a nonprofit that runs a network of youth centers serving over 10,000 "at risk" children in eight Chicago neighborhoods, bank staff who serve on various nonprofit loan committees, and other staff who serve on advisory boards and as speakers at significant community development events.

Many of the bank’s leadership efforts focus on two of Chicago’s most economically distressed neighborhoods – Lawndale on the west side and Englewood on the city’s south side. The bank combines its leadership efforts in these neighborhoods with investment, grant and lending activity (see the Lending Test and Investment Test sections of this report), demonstrating an extremely high level of responsiveness to the various community needs and opportunities.

As shown in Table 20, these leadership efforts benefit large and small nonprofits that are located throughout the urban and suburban portions of the bank’s assessment area. The overwhelming majority of these leadership activities are significant – they are ongoing commitments of time and effort, and many leverage investments, grants, loans and other kinds of corporate support from the bank to the benefit of the subject organizations.

Bank sponsored leadership events: These leadership activities involve the bank’s sponsorship of an event or activity in which numerous bank employees participate on a one-time basis; see Table 20 for a list of the 12 bank-sponsored events that occurred during the examination period.

Organization	Description of Effort	Why Community Development?
Community Center	Holiday toy drive	Non-Profit Community Service organization providing day care and after school programs for low-and moderate-income families.
Tax Counseling Project	Volunteer tax preparers assist low-income workers in the Chicago area. In 2001, 35 Harris employees volunteered	Assist low-income workers in the Chicago area.
Christmas in April	Major home renovation work on a home in North Lawndale in conjunction with GATX. 57 volunteers participated.	Home renovation in low/moderate income community.
Neighborworks Day – 2000	Light cleaning and repair work and "green up" in North Lawndale.	North Lawndale is primarily low/moderate income.
Neighborworks Day – 2001	Light cleaning and repair work and "green up" in North Lawndale.	North Lawndale is primarily low/moderate income.
Toy and Coat Drive	Donations of items or money for school in North Lawndale that has been adopted by Harris	Primarily low- and moderate-income students.
School	Employees donate school supplies or money for two schools adopted by HTSB. In 2000, 33 boxes of supplies were provided to Henson And 12 to Pioneer	Students at North Lawndale Schools are primarily low income and minority; students at West Chicago school are primarily Hispanic and 45% are low income.
Tutoring Program	Once a week tutoring program for school adopted by bank	Students at North Lawndale Schools are primarily low income and minority.
Local School Council Volunteers	Bank supports employees who want to run for LSC positions in the Chicago Public Schools	Supports critical public education needs through public school system that serves predominately low/moderate income students.

Community Organization	Volunteers prepare and serve a Mothers' Day dinner for women at this shelter in Chicago.	Sarah's Circle provides a safe refuge for homeless, transient and low-income women. It is located at 4750 N. Sheridan, Chicago.
Women's Shelter	Collect toiletries, hats, gloves, scarves and household goods for women in shelters. Idea is to encourage employees who travel to collect toiletries from hotel rooms.	Shelter serves Chicago's homeless women, providing them with food, shelter and supportive service so they can maintain control over their lives.
Community Organization	Collect toiletries, hats, gloves, scarves and household goods for women in shelters. Idea is to encourage employees who travel to collect toiletries from hotel rooms.	Shelter serves Chicago's homeless women, providing them with food, shelter and supportive service so they can maintain control over their lives.

Financial education efforts: The bank provided a total of 192 financial education sessions in four categories; they are distributed as follows: four sessions of community development training, 25 sessions of consumer financial education, 145 sessions of mortgage finance education, and 18 sessions of small business finance education. A significant majority of these sessions were conducted at locations throughout the bank's assessment area rather than at the bank's main office, in order to maximize convenience to and attendance by the targeted low- and moderate-income audience.

Innovativeness and responsiveness of community development services:

The bank's provision of community development services demonstrates an extremely high degree of responsiveness to community needs. The bank is consistently identified as having taken significant leadership roles in the development of major new community development initiatives in and around Chicago, and its bankwide support of the Chicago public school system (see discussion below) is likewise extremely responsive to local needs, as is the bank's significant resource commitment to its financial education program.

A number of the bank's leadership and financial education efforts are particularly innovative; some of these are as follows:

- The bank's CEO made a keynote address to "Building Bridges to America's Urban Emerging Markets", a conference on strategic investment in urban emerging markets by financial institutions, corporations and government.
- A bank vice president serves on the board of Connections for Community Ownership – a nonprofit that supports minority owner/operators of small business franchises in low- and moderate-income neighborhoods.
- A bank assistant vice president helped Galewood Montclare Caring Seniors and NW Neighborhood Federation Senior Project design a special mortgage product and counseling program to refinance loans for low- and moderate-income senior citizen homeowners "at risk" for predatory lending.
- A bank vice president holds a number of high level leadership positions on local, regional and national organizations which add significant value to the bank's CRA program as a whole and in particular to the bank's ability to bring significant expertise

to local issues; her positions include but are not limited to: founding member and board member of the National Association of Affordable Housing Lenders, sole banker on the task force for the City of Chicago/Rehab Network Public-Private Initiative, Underwriting Task Force member of the Chicago Clearinghouse, and member of the U.S. Department of Housing and Urban Development’s Community Empowerment Fund Pilot Team.

- An assistant vice president is a commissioner of the Lake County Affordable Housing Commission.
- A bank employee served as Project Manager to reestablish NHS Chicago's computer systems after they were destroyed by a fire.

The bank provides significant support to any bank employee who wants to run for a position on Local School Councils (the local governing body for each school in the Chicago public school system), acting on its belief that local schools and the Chicago Public School system as a whole benefits from having high quality LSC membership.

HTSB demonstrates its commitment to community development by supporting the involvement of many of its staff in leadership-related activities in community organizations. Bank staff serves as officers, directors and committee members for numerous community organizations. These organizations are distributed throughout the assessment area and represent groups with diverse social and business purposes. Organizations that benefit from staff participation include Chicago Youth Centers, which provide critical social services youth in low- and moderate-income areas; Asia American Alliance, an SBDC which provides technical assistance and counseling to small businesses and entrepreneurs in low- and moderate-income areas; CANDO, which operates a micro-loan fund for small businesses and entrepreneurs in low- and moderate-income areas; Women’s Business Development Center; Midwest Community Council; and Neighborhood Housing Services. See Table 21 for significant examples.

Table 21 Harris Trust and Savings Bank Community Development Leadership		
Organization	Activity	Why Community Development?
SECAP (Small Enterprise Capital Access Partnership; sponsor is Federal Reserve Bank of Chicago)	SECAP Advisory Committee Committee Co-Chair Speaker - outlined recommendations for underwriting changes.	Underwriting committee met to formulate recommendations for increasing small business access to capital; targets small businesses in low/moderate income neighborhoods and/or owned by low/moderate income entrepreneurs. SECAP initiative investigated ways to improve access to capital for small minority or women-owned business.
Midwest Community Council	Liaison for Revolving Loan Fund	Targets low/moderate income neighborhoods on Chicago’s west side.
North Lawndale IDA Save up Program Collaborative	Member of, and advisor to, IDA Collaborative. Also, provides budgeting training for IDA participants	IDA (federal Individual Development Accounts) are special subsidized savings accounts available to low/moderate income persons.

Nonprofit Financial Center	Volunteer, Member, Credit Policy Committee, Fundraising Committee; Ex Officio Board Member	Offers technical assistance and nonprofit management and financial assistance to smaller not-for-profit organizations that principally serve low and moderate-income communities. NFC is a critical factor in the on-going viability of many of Chicago's not-for-profits.
South Suburban Council on Homelessness	Council member. Harris Bank partners with members of this council to present housing seminars. Represent Harris in an on-going position providing financial guidance in the council's efforts and money management mentoring to those clients that the council serves.	Supports the homeless and low/mod income families in Chicago's south suburbs with financial support to housing needs. This takes form through providing rent subsidies, temporary housing and financial counseling.
AMPS	Senior bank officers support for the revitalization of the 16th Street (Chicago) Commercial Corridor	Revitalization of First Harvest Community Development Center to be located at 3732 W. 16 Street.
Metropolitan Family Services	Board Member of Homeless Shelter, Member of Fund Raising committee for a battered Women's Shelter, Board Member of Interfaith Housing, Providing Money Management Seminars.	Provides needed housing, social and financial support services to low/moderate income families.
Illinois Facilities Fund	Board Member and Chairman of Public Policy Committee, member of Loan Committee, Finance Committee and Executive Committee.	Provides loans to nonprofits serving predominately low/moderate income individuals and/or neighborhoods.
Lake County Affordable Housing Commission (AHC)	Commissioner	Supports and creates affordable housing in suburban Lake County, IL.
South Suburban Housing Center	Board of Directors	Supplement rental counseling and pre-purchase home buyer counseling efforts as well as predatory lending education and the development of an employer assisted housing project.
Neighborhood Housing Services Chicago – North Lawndale, Garfield Boulevard, West Lawn/Gage Park, & West Englewood	Several activities and services provided to this organization including, Director, Board Members, Committee members, Executive Committee, Chairs of various committees and functions and speakers for panels sponsored by and with NHS and project management support.	Targets low/moderate income neighborhoods, homeowners and potential buyers and helps to rebuild Chicago's neighborhoods.
Chicago Council on Urban Affairs	Director/Treasurer, Board of Directors; Member, Executive Committee	A civic organization that researches and makes public policy recommendation designed to improve the quality of life in Chicago's low-income communities. Its programs currently focus on inner-city youth crime and juvenile justice and race issues.

<p>Low Income Housing Trust Fund Board</p>	<p>Member of Low Income Housing Trust Fund Board. Served as Board Member & Treasurer. 6/01 Received Legacy Award at 11th annual meeting. Awarded for efforts to help expand affordable rental housing in Chicago</p>	<p>Provides financing for affordable housing.</p>
<p>HACIA (Hispanic American Construction Industry Association)</p>	<p>Scholarship Committee - Raise funds for scholarships. Assigned 3 schools to follow upon scholarship applications (Currie Metro, DeLaSalle Institute and Purdue Calumet City)</p>	<p>Scholarships awarded to Hispanic students from the Chicago-area with financial needs. Most schools located in low/mod income areas.</p>
<p>AsiaAmerican Alliance</p>	<p>Advisory Board meeting.</p>	<p>An SBDC providing technical assistance and counseling to predominately low/moderate income small business owners and entrepreneurs.</p>

SCOPE OF EXAMINATION

SCOPE OF EXAMINATION			
TIME PERIOD REVIEWED	<ul style="list-style-type: none"> January 1, 2000 to December 31, 2001 (Lending Test) April 1, 2000 to March 31, 2002 (Investment & Service Test) 		
FINANCIAL INSTITUTION Harris Trust and Savings Bank Chicago, Illinois	PRODUCTS REVIEWED		
	<ul style="list-style-type: none"> HMDA – related loans Small Business Community Loans Development 		
LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
ASSESSMENT AREA	TYPE OF EXAMINATION	BRANCHES VISITED	OTHER INFORMATION
<p>Assessment Area #1</p> <p>MSA: 1600 – Chicago</p> <p>County: 031 – Cook All Census Tracts</p> <p>County: 043 – DuPage All Census Tracts</p> <p>County: 097 – Lake 2 Census Tracts</p> <p>County: 197 – Will 4 Census Tracts</p> <p>Assessment Area #2</p> <p>MSA: 1600 – Chicago</p> <p>County: 097 2 Census Tracts Only</p>	Full procedures	<ul style="list-style-type: none"> Cicero 2903 S. Cicero Cicero, IL 60804 Kenwood 901 E. 47th Street Chicago, IL 60653 West Garfield 3900 W. Madison Chicago, IL 60624 Broadway 4531 North Broadway Chicago, IL 60640 North Avenue #1 4054 West North Ave. Chicago, IL 60639 North Avenue #2 5454 W. North Avenue Chicago, IL 60639 Pulaski 6400 S. Pulaski, Chicago, IL 60629 Berwyn 6655 Cermak Road Berwyn, IL 60402 Broadview 2223 Roosevelt Road, Broadview, IL 60153 Calumet City 555 Burnaham Ave. Calumet City, IL 60438 	<p>The bank has two assessment areas.</p> <p>The smaller assessment area is comprised of two upper-income census tracts in which the bank’s Lake Forest Branch is located.</p>

Note: "Branches visited" indicates where technical compliance with the CRA (signs, public file, etc.) was confirmed. The evaluation of the institution's CRA performance takes into consideration activity from all branch locations, as described in the Scope of Examination.

GLOSSARY

Aggregate lending: The number of loans originated and purchased by all lenders subject to reporting requirements as a percentage of the aggregate number of loans originated and purchased by all lenders in the MSA/assessment area.

Block numbering area ("BNA"): Statistical subdivisions of a county for grouping and numbering blocks in non-metropolitan counties where local census statistical area committees have not established census tracts. BNAs do not cross county lines.

Census tract: Small subdivisions of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. They usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community development: Affordable housing for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals, activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies,

Consumer loan: A loan to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories of loans: motor vehicle, credit card, home equity, other secured loan, and other unsecured loan.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married couple family or other family, which is further classified into "male householder" (a family with a male householder and no wife present) or "female householder" (a family with a female householder and no husband present).

Full review: Performance under the lending, investment, and service tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, branch distribution) and qualitative factors (e.g., innovation, complexity).

Geography: A census tract or a block numbering area delineated by the U.S. Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (“HMDA”): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applications, the amount of loan requested, and the disposition of the application (e.g., approved, denied, and withdrawn).

Home mortgage loans: Include home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes and refinancing of home improvement and home purchase loans.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Low-income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

Limited review: Performance under the lending, investment, and service tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, branch distribution).

Market share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all lenders in the MSA/assessment area.

Metropolitan area: Any primary metropolitan statistical area (“PMSA”), metropolitan statistical area (“MSA”), or consolidated metropolitan area (“CMSA”), as defined by the Office of Management and Budget, with a population of 250 thousand or more, and any other area designated as such by the appropriate federal financial supervisory agency.

Moderate-income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent in the case of a geography.

Middle-income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units.

Optional loans: Includes any unreported category of loans for which the institution collects and maintains data for consideration during a CRA examination. Also includes consumer loans and other loan data an institution may provide concerning its lending performance.

Owner-occupied units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Small loans to business: A loan included in “loans to small businesses” as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small loans to farms: A loan included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500 thousand or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

Owner-occupied units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Upper-income: Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent in the case of a geography.